

## Message Text

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12  
ACTION EB-11

INFO OCT-01 EA-11 ISO-00 XMB-07 AID-20 TRSE-00 OMB-01

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R 110323Z JAN 74  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC 619  
INFO AMCONSUL HONG KONG  
USDOC WASHDC

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E.O. 11652: NA  
TAGS: EIND, ETRA, TW  
SUBJECT: CHINA STEEL MILL PROJECT: STATUS REPORT

REF: TAIPEI 7100

USDOC FOR MAJOR PROJECTS DIVISION

PASS EXIMBANK

HONG KONG FOR RAND

1. COMMATT CALLED ON WILLIAM CHOU, PRESIDENT, CHINA STEEL CORP., ON JAN 10 FOR AN UPDATING OF THE CURRENT STATUS OF THE STEEL MILL PROJECT: CHOU PROVIDED FOLLOWING INFORMATION.

(A) PLATE MILL- CHINA STEEL ANTICIPATES COMPLETING NEGOTIATIONS WITH MESTA MACHINE IN NEAR FUTURE. MESTA TO PROVIDE EQUIPMENT, DESIGN AND COMPLETE ENGINEERING/CONSTRUCTION. PARTIAL DELIVERY TO COMMENCE BY END OF 1975 WITH COMPLETE DELIVERY MID-76. PLANT TO COMMENCE OPERATION BY END OF 1976. CHINA STEEL WILL NEGOTIATE WITH GENERAL ELECTRIC FOR MILL ELECTRICAL EQUIPMENT. HEATING FURNACE FOR MILL WILL BE PURCHASED FROM YET TO BE DETERMINED U.S. FIRM. ESTIMATED COST EQUIPMENT ONLY \$23 MILLION. ELECTRICAL EQUIPMENT  
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AROUND \$3 TO 4 MILLION.

(B) ROD MILL-CHINA STEEL NOW NEGOTIATION WITH MORGAN CONSTRUCTION, WOOSTER, MASS., MECHANICAL EQUIPMENT ONLY WITH ESTIMATED COST \$8 MILLION. WESTINGHOUSE EXPECTED TO PROVIDE ELECTRICAL EQUIPMENT AT ESTIMATED COST \$3 MILLION.

(C) BAR MILL-PRELIMINARY NEGOTIATIONS UNDER WAY WITH BLOW-KNOW FOR MECHANICAL EQUIPMENT. ESTIMATED COST \$10 TO 12 MILLION. ELECTRICAL EQUIPMENT WILL BE NEGOTIATED WITH WESTINGHOUSE. ESTIMATED COST \$4 MILLION.

(D) HEAVY DUTY OVERHEAD CRANES-CONTRACT FOR 4 HEAVY-DUTY OVERHEAD CRANES FOR THE STEEL MAKING SHOP EXPECTED TO BE SIGNED WITH ALLIANCE MACHINE BY END OF JANUARY. ESTIMATED COST \$4.5 MILLION.

(E) COKE OVENS-BIDS DUE FEBRUARY 9. WILPUTTE DECLINED TO QUOTE BUT KOPPERS HAS INDICATED THEY WILL QUOTE ALTHOUGH BID NOT YET RECEIVED. BIDS ALSO EXPECTED FROM EUROPEAN AND JAPANESE FIRMS. ESTIMATED COST \$19 MILLION. U.S. STEEL ENGINEERING BEING REQUESTED TO PREPARE (BEFORE FEB 9) REALISTIC COST ESTIMATE FOR OVENS BASED ON PRESENT DAY COST ESCALATIONS. IF BIDS FALL WITHIN COST ESTIMATE, CHINA

STEEL WILL NEGOTIATE. IF NOT, THEY ARE PREPARED TO TALK WITH KOPPERS AND/OR WILPUTTE ON A "TAKE IT OR LEAVE BASIS" BASED ON U.S. STEEL'S COST ESTIMATE.

(F) BLAST FURNACE-BIDS DUE FEB 9. BOTH KOPPERS AND MCKEE DECLINED TO QUOTE. MCKEE POSSIBLY WOULD HAVE QUOTED HAD CHINA STEEL AGREED TO THEIR REQUEST FOR AN EXTENSION OF BID DEADLINE. CHINA STEEL IS REQUESTING U.S. STEEL ENGINEERING TO PREPARE (BEFORE FEB 9) A REALISTIC COST ESTIMATE FOR THE BLAST FURNACE BASED ON PRESENT DAY COST ESCALATIONS. IF BIDS FROM JAPANESE AND EUROPEAN FIRMS FALL WITHIN COST ESTIMATE, CHINA STEEL WILL NEGOTIATE. IF NOT, CHOU STATED HE WAS PREPARED TO TALK WITH KOPPERS AND /OR MCKEE WITH PROPOSAL THAT IF THEY COULD MEET U.S. STEEL'S COST FIGURE, HE WOULD NEGOTIATE DIRECTLY WITH EITHER FIRM. CHOU ALSO EXPRESSED DOUBT THAT JAPANESE BID WOULD BE COMPETITIVE IN LIGHT OF PRESENT CIRCUMSTANCES.

(G) OXYGEN PLANT-CONTRACT HAS BEEN SIGNED WITH CRYOPLANT (SUBSIDIARY OF BRITISH OXYGEN CO.). CRYOPLANT QUOTED \$6.6 MILLION WHICH IS NEARLY \$2 MILLION LESS THAN QUOTE BY LINDE DIVISION OF UNION CARBIDE.

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(H) SLAB CASTING MACHINERY-NEGOTIATIONS IN PROGRESS WITH JAPANESE FIRM WHICH IS A LICENSEE OF U.S. STEEL FOR THE MANUFACTURE OF THIS EQUIPMENT. ESTIMATE COST AROUND \$12 TO 13 MILLION.

(I) MEDIUM-SIZED OVERHEAD CRANES-CHOU WISHES TO PURCHASE FROM U.S. AND PROBABLY WILL APPROACH MORGAN ENGINEERING OR HARNISCHFEGGER FOR DIRECT NEGOTIATIONS.

2. CHINA STEEL HOPES TO COMMENCE CONSTRUCTION OF WHARF (PILING) IN APRIL OR MAY AND TO BREAK GROUND FOR MILL LATER IN YEAR WHEN FINAL ENGINEERING/DESIGN SPECS COMPLETED.

3. BY AND LARGE CHOU CONTINUES TO BE PLEASED WITH PERFORMANCE OF U.S. STEEL ENGINEERING BUT IS SOMEWHAT MIFFED THAT PROGRESS DEADLINES ARE NOT FULLY MET.  
MCCONAUGHY

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STEEL, INDUSTRIAL PLANTS  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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